



City of Sunnyvale
Financial Report
 Through Accounting Period 4
 July 1, 2015 - October 10, 2015

Overview

This financial report presents budget and actual revenues and expenses through Accounting Period 4 (AP4) of Fiscal Year 2015/16. AP4 comprises 27.8% of the fiscal year. Current year data is provided alongside prior year data for year-to-year comparison. The report provides an update on the City's largest funds, including the General Fund and the Enterprise Funds. Revenue projections for FY 2015/16 presented in the tables below reflect the original estimates from the FY 2015/16 Adopted Budget. Expenditure budgets for FY 2015/16 are also from the FY 2015/16 Adopted Budget, updated to reflect all budget modifications through AP4. Total General Fund revenue is up \$2.2 million (18%) from the same point in FY 2014/15, primarily due to one time proceeds and elevated development activity. It should be noted that very few revenues are received evenly throughout the year; this topic is further explored in the discussion of each revenue source. General Fund operating expenditures are more consistent throughout the year. Through AP4, operating expenses totalled 27.2% of budget, slightly below the 27.87% status of fiscal year completed.

General Fund Revenues through 27.87% of the Fiscal Year *

	FY 2015/16 Original Budget	FY 2015/16 Revenue (AP4)	FY 2015/16 % to Budget	FY 2014 /15 Actual	FY 2014/15 Revenue (AP4)	FY 2014/15 % to Actual
Property Tax	56,486,757	2,639,308	4.67%	54,940,570	2,493,653	4.54%
Sales & Use Tax	33,513,807	1,691,141	5.05%	31,218,980	1,672,786	5.36%
TOT	11,397,216	2,904,965	25.49%	14,137,069	2,258,723	15.98%
Utility Users Tax	6,809,616	1,263,020	18.55%	6,774,027	1,248,459	18.43%
Construction Tax	2,599,579	1,086,484	41.79%	3,066,351	887,340	28.94%
Business License Tax	1,734,000	135,180	7.80%	1,845,883	153,156	8.30%
Real Property Transfer Tax	933,470	468,296	50.17%	1,764,551	361,171	20.47%
Franchises	6,963,390	383,283	5.50%	6,897,802	300,492	4.36%
Service Fees	5,189,311	1,503,800	28.98%	6,028,267	1,459,580	24.21%
Rents & Concessions	2,384,694	454,884	19.08%	1,422,047	396,795	27.90%
Permits and Fees ¹	2,180,843	660,671	30.29%	2,401,473	691,241	28.78%
Interest	953,960	213,205	22.35%	668,696	181,551	27.15%
Other	841,119	1,167,766	138.83%	2,157,916	265,060	12.28%
Sale of Property	14,009,445	685	0.00%	14,069	6,623	47.07%
Total	145,997,206	14,572,687	9.98%	133,337,702	12,376,632	9.28%

1. Most Permit revenues and some Service Fees were shifted to the Development Enterprise Fund, effective for FY 2014/15

* Totals exclude Interfund Revenues and Transfers

Property Tax

\$2.64 million collected in FY 2015/16 mainly consists of one Unsecured property tax payment that totalled \$2.57 million. Unsecured property tax is collected on certain business property, such as equipment and fixtures, as well as certain personal property, such as boats and airplanes. The City receives three unsecured payments throughout the year, with the payment received in AP4 typically accounting for approximately 90% of the total Unsecured property tax revenue. The actual revenue also contains two months of Supplemental property tax receipts. Supplemental taxes are taxes that are due when property undergoes a change of ownership or new construction. These mid-year adjustments to the tax roll will be reflected on the tax roll the following year, but in the year of the event the tax is pro-rated and the City receives this amount separate from the Secured tax revenue. The AP4 actual does not contain any Secured Property Tax revenue. Secured is received in 10 payments that the City receives between late November and June. The FY 2015/16 Budget projects \$37.2 million in Secured revenue, however that estimate was based on 9% growth for property

Property Tax (continued)

valuations. The County released data for actual property valuation growth, and the FY 2015/16 tax roll increased 11%. Based on this latest data and last year's revenue coming in higher than estimated, staff estimates an additional \$1.8 million in secured revenue. Revised projections will be presented in the FY 2016/17 Recommended Budget.

Sales Tax

Sales tax revenue totalled \$1.7 million through AP4. The receipt of sales tax revenue lags the actual economic activity because taxpayers have 30 days to file for monthly reporting periods followed by processing by the State Board of Equalization, which takes several weeks. \$1.59 million of the actual amount consists of one monthly advance which is an estimate of July sales tax revenue. Actual sales tax received for Q1 will not be known until the city receives the quarter one true-up payment from the Board of Equalization, which is typically received in AP 7 in most years (50.8% through the fiscal year). In addition to the July advance of the Bradley Burns 1% tax of \$1.59 million, the AP4 actual also includes public safety sales tax revenue for July of \$110,000.

Construction Tax

Construction tax revenue is one of two development-related revenue sources that remained in the General Fund after the establishment of the Development Enterprise Fund because it is a tax. A tax rate of 0.54% of the construction value is imposed on both new construction and remodel projects. The tax amount is established when building plans are approved, with payment due when the permit is approved by the City. With development activity at an elevated level, FY 2015/16 revenue is outpacing the returns of FY 2014/15. While this revenue does not come in evenly throughout the year, staff does estimate that the City is tracking toward another year of elevated Construction tax revenue that would exceed the initial projection.

Real Property Transfer Tax

The Real Property Transfer Tax is imposed on property sales. FY 2015/16 revenue consists of three months of returns. As with Property Tax, this revenue has been growing significantly faster than anticipated. Through 27.8% of the year collections have already reached over 50% of the projected level, which was set based on a six year average of actual revenue. Unlike Property Tax, in which the majority is received in concentrated payments, this revenue source is collected monthly. On average, the City receives 25.2% of annual revenue by the end of AP4. This revenue estimate will be revisited when Staff prepares the General Fund long term financial plan for the FY 2016/17 Recommended Budget.

Service Fees, and Other

The Service Fees category accounts for the wide variety of departmental fees that are charged for specific services provided by the departments of Community Development, Library and Community Services, Public Safety, and Public Works. Actual revenue in FY 2015/16 is above the same point in the prior year, primarily due to Plan Maintenance Fees tracking high again this year and significantly higher than planned. Revenue in the "Other" category includes one significant, un-budgeted receipt: \$1.04 million was received in litigation proceeds.

General Fund Expenditures by Department through 27.87% of the Fiscal Year

	FY 2015/16			FY 2014/15		
	FY 2015/16 Original Budget	Expenditures (AP4)	FY 2015/16 % to Budget	FY 2014 /15 Actual	Expenditures (AP4)	FY 2014/15 % to Actual
Community Development	\$ 1,029,275	\$ 314,705	30.58%	\$ 983,889	\$ 300,085	30.50%
Finance	\$ 8,521,098	\$ 2,255,996	26.48%	\$ 8,089,000	\$ 2,291,370	28.33%
Human Resources	\$ 3,862,212	\$ 1,056,757	27.36%	\$ 3,682,260	\$ 1,059,709	28.78%
Library and Community Services	\$ 17,053,707	\$ 4,602,721	26.99%	\$ 15,983,479	\$ 4,535,940	28.38%
Office of the City Attorney	\$ 1,457,386	\$ 352,409	24.18%	\$ 1,409,724	\$ 377,505	26.78%
Office of the City Manager	\$ 3,925,057	\$ 1,057,182	26.93%	\$ 3,600,344	\$ 1,069,235	29.70%
Public Safety	\$ 80,877,253	\$ 21,935,619	27.12%	\$ 75,762,218	\$ 21,401,834	28.25%
Public Works	\$ 20,706,618	\$ 5,809,680	28.06%	\$ 20,097,614	\$ 5,491,730	27.33%
Total	\$ 137,432,606	\$ 37,385,069	27.20%	\$ 129,608,526	\$ 36,527,409	28.18%

General Fund Expenditures

General Fund operating expenditures through AP4 are tracking very slightly below budget. Two departments, Community Development and Public Works, are tracking over the 27.87%. In Public Works the Pavement Maintenance program and the Street Lights program are the primary contributors to the overage. These programs are both tracking high due to large purchases for chip seal gravel and oil as well as street poles, which occurred early in the year. Community Development expenses are slightly high in the General Fund, however the actual expenses include staff costs that will be shifted later in the year to a budgeted special project for supplemental staffing. Also, CDD costs are partially reimbursed by the Development Enterprise Fund. Note that the operating cost for Public Safety does not include the expense for recruitment and training of new officers, which is accounted for in projects (an additional \$8.3 million in the current year). In FY 2014/15 DPS was approximately \$2.3 million under budget due to vacancies. Because of several open contracts and ongoing labor negotiations, the actual expenses do not reflect salary adjustments for the majority of employees.

Enterprise Fund Revenues through 27.87% of the Fiscal Year

	FY 2015/16	FY 2015/16	FY 2015/16	FY 2014 /15	FY 2014/15	FY 2014/15
	Original Budget	Revenue (AP4)	% to Budget	Actual	Revenue (AP4)	% to Actual
Water Fund	41,727,591	8,620,591	20.66%	33,607,720	9,131,647	27.17%
Wastewater Fund	33,329,647	9,230,951	27.70%	31,605,514	6,329,291	20.03%
Solid Waste Management Fund	44,776,572	9,335,562	20.85%	43,084,979	9,124,670	21.18%
Development Enterprise Fund	11,433,258	4,750,638	41.55%	13,895,572	3,666,015	26.38%
Golf and Tennis Operations	3,564,287	1,133,460	31.80%	3,528,090	1,203,069	34.10%
Total	134,831,355	33,071,202	24.53%	125,721,874	29,454,692	23.43%

Enterprise Fund Operating Expenditures through 27.87% of the Fiscal Year

	FY 2015/16			FY 2014/15		
	FY 2015/16 Original Budget	Expenditures (AP4)	FY 2015/16 % to Budget	FY 2014 /15 Actual	Expenditures (AP4)	FY 2014/15 % to Actual
Water Fund	\$ 32,614,548	\$ 6,065,942	18.60%	\$ 26,846,291	\$ 6,518,190	24.28%
Wastewater Fund	\$ 16,457,935	\$ 4,183,730	25.42%	\$ 15,548,719	\$ 4,278,732	27.52%
Solid Waste Management Fund	\$ 34,933,702	\$ 6,909,216	19.78%	\$ 34,161,500	\$ 9,955,743	29.14%
Development Enterprise Fund	\$ 7,971,080	\$ 2,356,975	29.57%	\$ 7,745,816	\$ 2,087,628	26.95%
Golf and Tennis Operations	\$ 3,597,434	\$ 1,000,745	27.82%	\$ 3,251,472	\$ 963,256	29.63%
Total	\$ 95,574,700	\$ 20,516,608	21.47%	\$ 87,553,798	\$ 23,803,550	27.19%

Utility Enterprise Funds

The data presented in the tables above reflects operating revenues and expenditures only. Project costs and bond proceeds are excluded. Water fund revenues and expenditures are tracking lower than budget and lower than the same period in FY 2014/15. Expenditures are down \$500,000 in pump tax costs because the volume of water that we are pumping from wells has decreased significantly. Purchased water, which accounts for 66% of expenditures year-to-date, is up 5% from FY 2014/15. In the Wastewater fund, \$33.3 million in revenue is budgeted in FY 2015/16, a 5.4% increase from FY 2014/15 actual revenue. Revenues are tracking high due to Sewer Connection fees collected on several large development projects. Solid Waste expenditures are tracking inline with revenues. Expenses are down in FY 2015/16 because the FY 2014/15 actuals include two quarters of Sunnyvale's transfer and disposal costs, versus the current year reflecting only one quarterly payment of \$3.03 million.

Development and Golf and Tennis Enterprise Funds

Revenue in the Development Enterprise Fund is outpacing original budget, with \$4.75 million received through AP4. All Permits and Fees are tracking above expectations. \$1.4 million of the revenue is from Building Permits which is 46.29% of the original estimate. \$1.3 million has been collected in Plan Check Fees versus \$502,000 at this point in FY 2014/15. Staff anticipates that we will continue to see elevated development activity through this fiscal year, but whether we reach the prior year level is uncertain. It is still early in the year and the revenue sources in this fund are volatile. Expenditures are also tracking high as staff continues to utilize overtime and contract resources to meet the demand for service. The Golf and Tennis Fund revenue is down from last year but performing close to the original projection. Expenses are impacted by the cost of water which is tracking high, largely due to the seasonality of that expense, and preparing the new restaurant operators at both courses. Beginning in FY 2016/17, the Fund should reflect modest improvements in golf revenues when both restaurants are open.